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[C]itizen's Course in

[FR]EEDOM vs. COMMUNISM:

The Economics of Survival

[THE RO]LE OF [GOVER]NMENT

CHAMBER OF COMMERCE OF THE UNITED STATES
Washington, D.C.

". . . Government of the people, by the people, and for the people . . ."

—Abraham Lincoln

"The state belongs to the sphere of coercion. It would be madness to renounce coercion, particularly in the epoch of the dictatorship of the proletariat."

—Lenin

The Role of Government

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The Role of Government

THOUSANDS OF BOOKS and millions of words have been written on the relationship of the state to the individual.

The problems of government are complex and controversial because they are concerned with fundamentals—the nature of man, his relationship to his God and to his fellowman, his moral responsibilities and his legal rights, his hopes and dreams as well as his material progress. Involved are questions of moral and political philosophy, public administration, law, social psychology, and economics.

The differences between the government of the Soviet Union and the United States reflect basic differences in viewpoints on these fundamentals.

We say that our democratic philosophy of government differs from Communism in that we believe the state should serve the individual, whereas the Communists believe the individual should serve the state.

Even as we say it, however, we tend to dismiss the statement as a truism—*without considering fully the far-reaching differences in the organization of society that will result from such divergent views on the dignity of man.*

We may refer lightly to "totalitarian government" and fail to appreciate the full significance of the term. It means much more than control of the economy. It means total control of all publications, the press, radio and television.

It means total control of all education.

It means total control of art, theaters, operas, ballets and movies.

It means control of philosophy and science.

Most important, in Russia, it means the exercise of total control to promote the Communist Party and to help achieve its ideological goals.

Lyman B. Kirkpatrick, Jr., of the Central Intelligence Agency, has pointed out one small but revealing fact: "In the political economy course required of all students in Communist universities there are books by only four authors: Friedrich Engels, Karl Marx, V. I. Lenin, and Josef Stalin." In other words, in a system of totalitarian Communism there is no place for any views on government, but the views of Communists.

References to the "limited" government of the United States become more meaningful when contrasted with the "total" government of the Soviet Union. Limitations placed on government in the so-called Bill of Rights of the Constitution and elsewhere are designed primarily to protect the rights and freedoms of the individual.

Obviously, systems and philosophies of government cannot be fully explored in a pamphlet. Nor will the emphasis and treatment of government in the Soviet Union and in the United States be parallel. A broad picture of how the Communist Party rules Russia, along with some discussion of the tax system, will be presented. It is assumed that everyone is generally familiar with the organization of our Federal system of government, with its division of powers among central, state and local governments and among the Executive, Legislative and Judicial branches. Material on the United States, therefore, will concentrate on major economic activities of government.

Any pamphlet-type treatment of government economic activities must omit important areas and resort to broad generalization. It runs the risk of being charged with political "bias" in its organization and selection of topics—if for no other reason than that governmental activities in a democracy are inevitably tied in with partisan politics.

The material in this pamphlet, however, is not designed to "sell" any specific governmental programs in the United States, but to help *you* evaluate the many proposals for governmental action that concern you as an American citizen.

How the Communist Party Rules the Soviet Union

THE COMMUNIST PARTY rules Russia. The formal government merely administers policies—under the supervision of the party. In other words, the people are controlled by the government, which, in turn, is controlled by the Communist Party.

The Communist Party of the Soviet Union is not comparable to our political parties. For one thing, it is relatively small. Only about four percent of the population—the elite of Soviet Russia—belongs to the party. Government officials, scientists, managers, intellectuals, army officers and members of the secret police make up the bulk of the membership, although a few workers and peasants are included.

Of the possibly eight million people who belong to the party, some 250,000 or so are the full-time party workers. They are the hard-core of the party.

Another significant difference between the Communist Party and our political parties is that the Communist Party is not confronted with any "opposition" parties. Communist leaders have made it clear from the beginning that the place for members of an opposition party is in Siberia or in prison.

Democratic Centralism

LENIN COINED THE TERM "democratic centralism" to explain the operation of the party.

"Democracy" and "Centralism" are, of course, contradictions.

Communists attempt to explain away this contradiction by pointing out that members of each local unit—in each industrial plant, office, and collective farm—elect officers. These officers, in turn, elect representatives to city congresses, members of the city congress elect deputies who go to the Congresses of the Republic or region, and so on up the ladder to the Party Congress, which, in theory, is the highest organization of the Communist Party. The Party Congress meets every two to four years and is supposed to "determine the tactical line of the party on major operations of current policy".

In practice, the Congress has "rubber-stamped" the opera-

tions and plans of two other groups—the Central Committee and the Presidium of the Central Committee.

The Central Committee, which has varied in size from between 50 and 150 members, is elected ostensibly by the Party Congress and maintains bureaus or sections for supervising every phase of national life. Sections are concerned, for example, with the operation of the army, heavy industry, light industry, foreign policy, the arts, propaganda, youth programs, personnel, and so on.

The real center of power in the Soviet Union, however, lies in the Presidium (formerly Politburo)—the hard-core of the Central Committee. This group of six to twenty-five men (the number varies) actually makes the major policy decisions.

At this point, of course, you have an inevitable question. Since each higher level of the Communist Party chain-of-command is elected by a lower group, how has one man been able to dominate the party structure so completely?

The simple system for controlling the party from the top, despite elections, was developed largely by Stalin. It is based on control of the party secretaries.

At the lowest level—the unit—there is a party secretary who may, or may not be a full-time employee of the party. As the chain moves up through the City or District Committees, the

Communist Party organizations parallel and control government organization at all levels in Russia. Important government offices are held by party members, and no important government action is ever taken except at the direction of the party. Theoretically, the Supreme Soviet, elected by the people, has almost unlimited legislative power. It is, in reality, a puppet legislature.

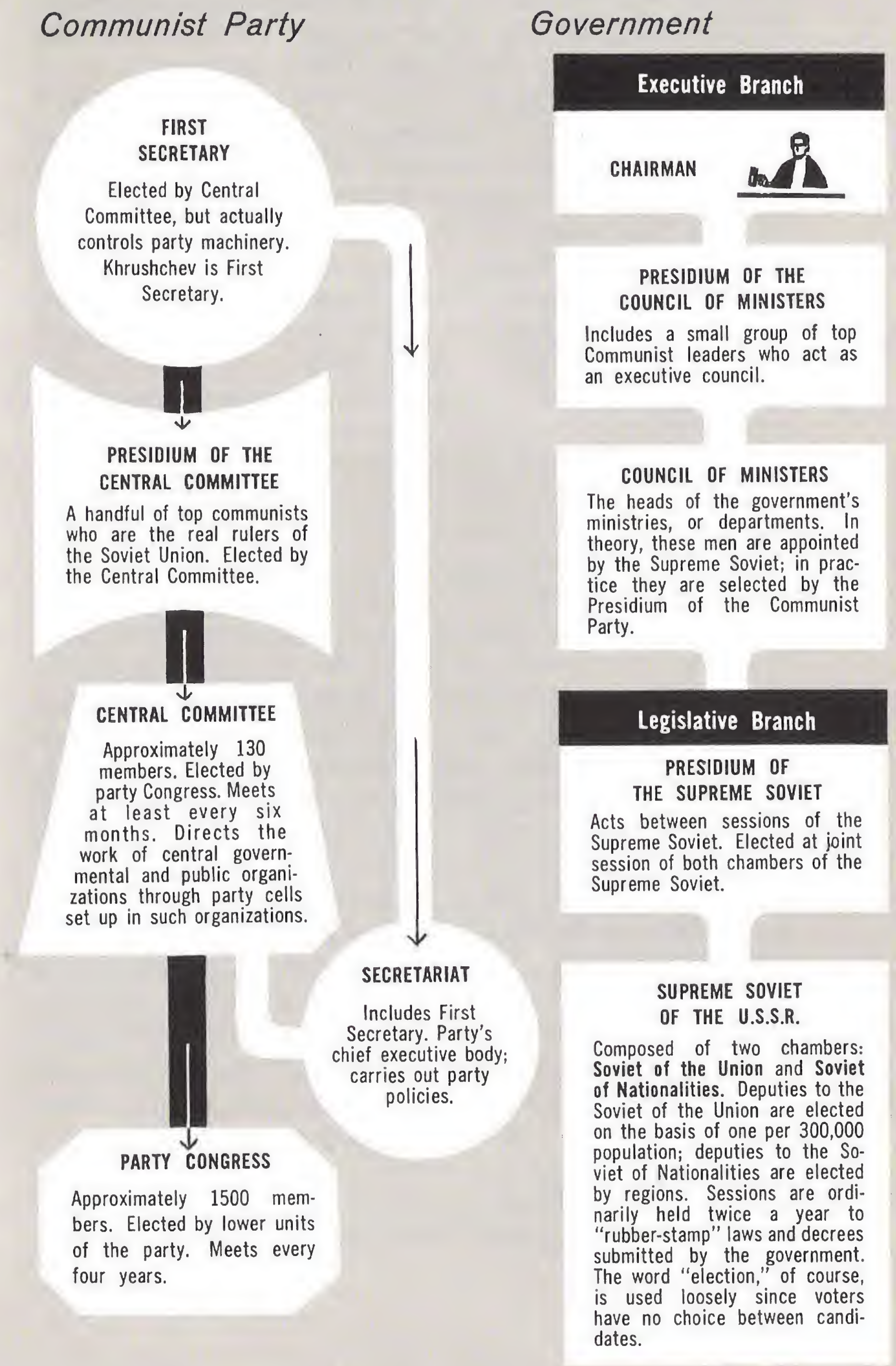
Somewhat confusing at first glance is the existence of three *presidiums*. A *presidium* is an executive group — a permanent policy-making and governing body that acts in behalf of the organization it represents.

Thus, the Supreme Soviet — the legislature — is called to Moscow only once or twice a year and its sessions last only three or four days. When it is not in session, its work is carried on by the Presidium of the Supreme Soviet.

Similarly, the Council of Ministers forms a Presidium which includes a small group of Communist leaders.

The Presidium of the Central Committee of the Communist Party is composed of the few Communists who are the real rulers of the U.S.S.R.

Dual Structure of the U.S.S.R.



Provincial Committees, the Republic Central Committees to the Central Committee itself, there are secretariats, headed by a full-time employee of the party, the secretary.

On each level, the secretary is the key man. Although he is elected by the group—he must be approved by the next higher echelon, which means eventually by the Secretariat of the Central Committee. Higher party authorities can reach down and arbitrarily remove any Communist secretary or other official; it happens every day.

Like Stalin before him, Khrushchev is the First Secretary of the Central Committee. He is also Chairman of the Council of Ministers of the formal government.

At each level, the secretary plans programs for meetings, and *controls nominations* for delegates who are to be elected to higher organizations. A First Secretary in the Kremlin who has carefully selected the men who are to occupy these key secretarial posts can generally count on them to send men to the various Congresses and conferences who will support him.

In addition to controlling the Party secretaries, Stalin directed a ruthless program of police terror and purges. As a result, by the beginning of World War II, the secret police, in large measure, superseded the party.

One example will illustrate the point. Khrushchev in his famous speech attacking Stalin's methods pointed out that in 1937 and 1938, almost seventy percent of the 139 members and candidates of the party's Central Committee were arrested and shot.

Following Stalin's death, a "collective leadership" of Malenkov, Molotov, Beria and Khrushchev was set up. Four months later, Beria was shot, and six months later, Khrushchev took over the post of First Secretary of the Presidium. He, like Stalin, packed the party with his followers and was able eventually to have both Malenkov and Molotov expelled from the Central Committees and transferred to minor posts far from Moscow.

Formal Government

WHAT MIGHT BE CALLED the Executive Branch of the Government in Russia is headed by a Council of Ministers, which is composed largely of high-ranking officials of the Communist Party. As has been noted, Khrushchev is Chairman of this Council. Other key posts in the government must be filled by men who are approved by the party.

The day-to-day work of governing the country and controlling its economic activity is carried on by the Council of Ministers. It issues, either alone or in conjunction with the Central Committee of the Communist Party, all of the important legislative and administrative orders for the nation.

Highest in the system of elective bodies in the Soviet Union is the Supreme Soviet of the Soviet Union. Theoretically, the Supreme Soviet may originate legislation, but it does not do so. Its primary job is to approve proposals of the Council of Ministers. At least, it has never been known to veto any of them.

Increasing Party Control

WHATEVER THE THEORETICAL organization of the government and the Communist Party, actual operation in the past has depended, to a large extent, on the personality who heads the State. Under Lenin, the party was in control but was somewhat responsive to ideas from below. Stalin took over the party completely and by the end of his regime, was such an absolute dictator that he could virtually ignore even the party. Khrushchev used the party to oust Malenkov and is apparently building up party authority.

A correspondent for the *New York Times* reported, for example, that Communist party members have been "instructed to tighten their control over the economy in order to curb the falsifying of records by state managers in agriculture and industry".

Soviet managers, as pointed out in Pamphlet 3 *(Profit Motive or Master Plan)*, often falsify production records to make it appear that production goals have been reached.

In 1960, the government decreed that persons could be imprisoned up to three years for "the padding of state reports and deliberate distortion of reports on the fulfillment of plans".

Despite this possible penalty, the newspaper reported "many

instances of deceit had been uncovered at farms and industrial enterprises after they had been inspected and approved by party officials".

To cope with the problem which was regarded in Moscow as "fundamental to the question of whether the Soviet Union's planned economy can work efficiently" even more party control is envisioned.[1]

Soviet Financing and Taxation

LIKE MOST OTHER GOVERNMENTS in the world today, Soviet Russia has a national "budget" covering its expenditures for defense, administration, education, social security, etc. Biggest item in the budget—almost half in fact—finances the grants for capital investment, reconstruction, housing for state enterprises, and provides working capital.

To raise money for this budget, the Soviet Union levies taxes on its inhabitants.

And yet, with a great fanfare, Premier Khrushchev told the 21st Party Congress in 1959:

> Under present conditions the existence of taxes levied upon the population is unnecessary either from the point of view of its class significance . . . or from the point of view of securing revenue for the state budget of the U.S.S.R.; the more so, as the share of taxes raised amounts to only 7.8 percent of budget revenue. All this will make it possible to give up in the next few years the collection of taxes from the population.

To understand how Nikita Khrushchev could so unconcernedly propound the propaganda line that the Soviets could eliminate "taxes on the population", it is necessary to explore the tax structure of the Soviet Union to a limited extent.

In addition to income from a variety of miscellaneous sources, three major types of Soviet government revenue are listed in such documents as the United Nations' *Statistical Yearbook*. They are: (1) taxes on the population; (2) a share in profits of the national enterprises; and (3) a turnover tax.

By thus setting "taxes on the population" apart from other sources of revenue, the Soviet Union has turned even its tax structure into a propaganda weapon.

Taxes "on the population" include a nominal income tax, and others, such as taxes on land, bachelors, families with few children, and an income tax on collective farms.

Because these taxes account for only a small part of the budget, Khrushchev could announce their possible abolishment with a straight face. He knew that the great bulk of government revenues come from hidden taxes.

The Soviet government produces, prices, and distributes all goods with very minor exceptions. It prices goods so as to make a profit—which is returned to the State for replacement of outworn equipment, for further capital expansion and general government operations.

On top of the prices that have been set high enough to cover costs of production and to return a profit, the government adds additional sums. A "turnover tax"—a tax levied on goods sold to the consumer—is built into the prices of the goods.

Leon Herman, an economist specializing in Soviet affairs, has pointed out:

> In collecting revenue, just as in other matters of public policy, the Soviet government is unhampered by the constraints of political consent. The Soviet citizen has no voice in deciding how large his tax burden will be, nor has he anything to say about the methods of collection.
>
> Today, nearly 50 percent of all budget revenue and 85 percent of all taxes on the population, is raised through excise taxes on goods sold to consumers in the stores. The Soviet tax system is thus something of an iceberg; only about 15 percent rises above the surface, while most of the tax collecting operation takes place out of sight, in the form of a special mark-up over and above profits and distribution costs, on all goods sold to the population.[2]

This "turnover tax" offers several advantages to the Soviet Union.

For one thing, it has enabled the government to conceal much of its taxation. The tax is built into the sale price of the article, and there is no way the consumer can determine how much of the price is tax.

Second, the Soviet Government has consistently over-priced the goods it sold to the consumer and under-priced the capital goods and military supplies it purchased. As a result, the price

of all goods bought by the people has probably been increased by at least 100 percent over the pre-tax cost.

The net effect of this policy has been to take money away from consumers and to relieve pressure for more goods in the consumer market—while permitting the government to invest in heavy industry and armaments.

The fact that the amount of tax varies considerably from product to product helps explain the many difficulties that American experts have in translating the value of the ruble into the value of a dollar.

A Soviet ruble might be worth 40 cents in buying shoes, but only 20 cents in buying nylon stockings. On the other hand, the government through its price-setting policies might permit the ruble to buy the equivalent of two to three dollars worth of military supplies.

"In other words," says Leon Herman, "we have a tax that works wonders. By its magic every unit of currency used by the government in paying for goods becomes a 'privileged' currency, exempt from paying the full economic price. By the same token, every ruble paid out by the government to the citizen is 'debased' in that the price of the goods it will buy is inflated by an extra amount of profit in the form of a turnover tax."[3]

Although financing a government by indirect "turnover taxes" runs counter to the principles of Marx and Lenin who were strong advocates of the income tax, present Soviet leaders appear ready to increase the burden—talking loudly all the time of a "taxless society".

Will the Communist Party Lose Control?

FROM TIME TO TIME, the theory is advanced that such things as a higher standard of living, better education, intra-party conflicts, and other developments within the Soviet Union will weaken the control of the Communist Party.

Long-range predictions are perilous, but many observers doubt that any drastic change will occur in the foreseeable future.

The majority of Russians do not have the drive for political

freedom that is present in many western countries—if for no other reason than that they have never enjoyed it.

Moreover, it is not likely that the members of the party who occupy a privileged position in the Soviet Union will ever willingly relinquish their status.

Vladimir Petrov, who fled his native land after seven years of forced labor in a Siberian gold mine, points out:

> There is one thing which the party professional would resist to the bitter end: the loosening of the party's grip on the people. He himself may be disdainful of Communist doctrine, but he will allow no one else to question it, since all his claims to a privileged position in Soviet society, as well as his party's sole claim to power, are based on doctrine.
>
> Whatever the citizens may think in the solitude of their minds, they must conform outwardly.
>
> The party will maintain its monopoly on the means of communication for no other reason than to check the spread of "heresy".
>
> Criticism of Marxism, the party, or the policies of the leadership will remain a punishable crime. Soviet citizens will continue to be denied any but official sources of information and forced to accept the official interpretations of events . . .
>
> . . . no matter what the intentions of the ruling group in the Soviet Union may be, its actions are guided, first and foremost, by the need of self-preservation. The party will continue to be above the law, for the law is its major weapon against real or imagined opposition within the country; and it will employ the full power of the State to enforce its decisions . . . History does not know of an autocratic regime which reformed itself voluntarily and there is little reason to believe that the Soviet Union will be an exception to this rule."[4]

Philip E. Mosely, Director of Studies of the Council on Foreign Relations, sums it up in this way:

> First . . . the Soviet system with which the West will be dealing in the 1960s is likely to retain a high level of political stability, based on premises and methods very different from ours.
>
> The dictatorship is not likely to be torn to pieces by internecine struggles at the top, to lose control over its people or to surrender its ideology . . . No doubt, names and labels will change, but the concept of a single party, justified in its absolute rule by its

monopoly over "truth" and foresight, has been strengthened.

Second, the Soviet leadership will not abandon its ultimate power of life and death over its subjects, even though it now exercises this power with a new moderation. Its leaders will resort to terror again if they find that necessary to their aims . . .

Third, the shared desire of the party and the people to raise the standard of living is relaxing very old tensions between the two, is lessening the contrasts between life in Russia and in the West, and is likely to evoke ever greater individual efforts to share in the enlarged rewards offered by the regime for hard work and "right-thinking" loyalty.

Finally, the spread of education may create some annoying worries for the ideological purity of the new generations, but it is not likely to endanger the stability of the regime or its ability to pursue the goals which its leaders set for the Soviet people at home or abroad."[5]

Economic Goals in the United States

IN PRECEDING PAMPHLETS, economic life in the United States was contrasted with economic life in the Soviet Union. We saw how free people in competitive markets solve our basic problems of production and distribution. We also saw how the State administers these activities in Russia.

At the same time, it was pointed out in each pamphlet our competitive market system is modified by many governmental policies and programs—at local, state, and federal levels.

Today, government is so deeply involved in our economy that a variety of terms have been coined to describe our system. It has been called "a mixed economy", "a dual economy", "people's capitalism", "regulated capitalism", "the welfare state", "mixed capitalism", and other terms.

None of these terms is entirely satisfactory, but it is certainly true that many actions of private enterprisers and consumers are substantially modified, regulated, and supplemented by the decisions of government.

Many writers have grappled with the problem of classifying the economic activities of government. It has proved to be no

easy task. The number of government programs alone causes difficulty. Additional complications are added by the fact that every government program sets off a chain reaction throughout the economy. A program designed to "control" one economic activity may result in the "promotion" of another economic activity.

In the literature on the economic activities of government, such words and phrases as "control", "regulation", "promotion", "production of goods and services", or "providing a framework for private economic activity" appear frequently.

Any such classification must be somewhat arbitrary. In this pamphlet, government economic activities will be examined within the broad framework of five generally accepted economic goals of the American people.

The role of government in the United States is determined by the people. In free elections, they vote into power the people who will give them the type of government they want.

Over the years, the view of the electorate on the role of government can and does change. Peoples' attitudes with respect to government have swung back and forth in pendulum fashion, or have undergone many years of change in a single direction.

But despite shifts in emphasis or direction, inherent in our form of government and economic system—as expressed both in our Constitution and in the practice of our way of life through the years—is a continuing and substantial belief in political, economic, and religious freedom, our western cultural heritage, our traditional liking for individualism and self-reliance, our moral code, and ethical concepts.

These are the basic values which our system and way of life are designed to preserve and nourish. And the economic goals that we as a people can agree upon collectively are but the means to this end.

Thus, Americans want economic freedom because it is an indivisible part of personal and political liberty. They want a growing economy not only because it provides more material rewards, but because it provides the means for achieving

a broad range of other goals, such as better education, unchallengeable national strength, leisure, and the opportunity for spiritual, intellectual, and recreational pursuits.

Within a democracy all types and shades of opinion can be found. But the majority of Americans would agree probably on five basic economic goals. They are:

1. Economic freedom
2. Over-all economic efficiency
3. Economic growth
4. Economic stability
5. Economic security

Examination of governmental programs within the framework of our society's economic goals has some dangers. Emphasis on government could be misinterpreted as implying that it is primarily responsible for achievement of our economic goals.

Our economy is built on the principle of private enterprise. Government can only supplement, it cannot supplant this system without completely changing the character of our society and our economy. In the long run, achievement of our economic goals will be determined by the success of our individual efforts and our private enterprise system.

At the same time, if we as a people seek to achieve freedom, economic efficiency, growth, stability and security, the use of these goals as a yardstick for measuring existing and proposed governmental programs can serve at least three purposes:

1. Governmental decisions, for better or worse, affect our ability to pursue our common purposes and our ability to meet the challenges of world events, while adhering to those values and principles which have guided our national development. An understanding of our goals can help us in setting *individual* standards for evaluating new governmental proposals.

2. If we can agree on our basic goals, we can eliminate much fruitless controversy and concentrate both on narrowing the differences of opinion on legitimate questions and on the means of attaining our goals.

3. Representative government is built on compromise. Public and private programs to achieve one goal may conflict with programs to achieve another. It is useful to understand the

relationships between our goals—where and how they conflict and where and how they reinforce each other.

Let us look briefly now at governmental programs in each of these five areas, recognizing, of course, that the following discussion is far from exhaustive. Its primary purpose is to stimulate your thinking.

Economic Freedom

We have seen that a basic difference between the Communistic system and our system lies in the amount of individual freedom that each system offers.

We have many economic freedoms, including:

Freedom as consumers to choose what we want to buy.
Freedom to buy—or to save and invest.
Freedom to own property.
Freedom to choose the type of work we will do and place where we will work.
Freedom to start a business and to operate that business.

Economic freedoms, of course, are never absolute; they are always circumscribed by the rights of others. Obvious differences of opinion exist as to the extent to which it is necessary or desirable to subordinate individual freedom to the good of society. But these differences of opinion in America have limits. Few persons can envision a society which does not control the individual with respect to traffic, fire or crime, but Americans detest control over individuals such as exists in the Chinese Communist communes.

Our reliance on individual freedom and on the free competitive market for large areas of our economic activity is a major difference between our economic system and Communism.

Many people believe that a system of free competitive markets is tied in closely with a larger conception of individual liberty.

Dr. Milton Friedman, economist, observes:

> It is important to emphasize that economic arrangements play a dual role in the promotion of a free society. On the one hand

> . . . "economic freedom" is an end in itself to a believer in freedom . . .
>
> In the second place, economic freedom is also an indispensable means toward the achievements of political freedom . . . I cannot think of a single example at any time or place where there was a large measure of political freedom without there also being something comparable to a private enterprise market form of economic organization of the bulk of economic activity.[6]

Government provides the legal framework and rules of the game within which free markets can operate. It helps maintain competition, the establishment of standards of conduct, and gives protection against fraud.

The legal framework for our market economy stems largely from the Constitution and from common law. The importance of the basic freedoms guaranteed by the Bill of Rights is generally recognized. Other features are sometimes overlooked. For example, the legal framework that permits business to operate as corporations and permits legal enforcement of contracts has been instrumental in the development of our economic system.

Establishment of a uniform system of weights and measures is important.

Our economic system could not function as it does without the Government control and regulation of the monetary system which will be discussed more fully later in this pamphlet.

At the same time, it is widely recognized that any *compulsory* program of government limits freedom in some ways. Generally, the American people have modified the operation of the free market and given up freedoms on the assumption—sometimes mistaken—that the loss would help achieve one or more of the other goals of growth, stability, efficiency, or security.

Economic Efficiency

Many governmental programs have been enacted for the avowed purpose of improving the efficiency of our predominantly market-directed production.

Efficiency here does not mean managerial efficiency within specific plants, but the efficiency of our economic system as a whole.

Efficiency in this sense is tied in with the use of resources. From an over-all standpoint, efficiency is the ratio between the total output of the nation and its available resources. By improving efficiency we can increase our total satisfactions from a fixed amount of resources.

An example will illustrate. We might be able to produce enough coffee and bananas within the United States to meet our needs. Even so, we could not produce these commodities as efficiently as some of our South American neighbors. Consequently, the price of coffee and bananas would rise. The diversion of resources to produce these commodities in the United States would lessen the economic efficiency of the United States and several other countries.

Competition is a key factor in promoting efficiency, and government, through such agencies as the Federal Trade Commission and the Anti-trust Division of the Department of Justice, acts to prevent "restraints in trade."

In other areas, such as the operation of public utilities, where the forces of competition may be absent or inadequate, government has regulatory programs.

The maintenance of competition is one of the major economic policies of the United States. At the same time, because competition is not without its costs, many governmental programs are designed to limit competition, or to ease its effects in certain areas. Tariffs are a good example. Direct subsidies have been granted to producers of some products. Tax advantages are used to promote certain types of production.

Governmental operation of business enterprises that could be operated more efficiently in private hands prevents healthy competition. The anti-trust laws are thwarted by state barriers to interstate trade and often competition is not enforced in trade within states. Laws frequently limit the entry of new firms into specific fields or control the entrance of individuals into professions and trades. In fact, it has been said that "government is the chief source of monopoly today".

Economic Growth

Another important goal is economic growth—increasing our capacity to produce goods and services. Economic growth, as viewed here, consists of more than merely increasing our total output; it requires that output rise faster than population so that the per capita or average output per person expands.

Free men working in competitive markets have given this nation unparalleled growth. We have always grown. Measured by any economic standard, we have grown faster than any nation in history in the same period of time. We can expect to continue to grow.

Growth can come from several sources, including the growth of the labor force, the discovery of new resources, investment in productive facilities or increased efficiency.

Government programs that distort the use of resources, discourage savings and investment, or limit competition tend to retard growth.

A century and a half ago, the national and state governments started to foster economic growth vigorously, though not always in well conceived ways, by programs to speed the development of the resources of the continent. Water and rail transportation policies come quickly to mind. The Homestead Act of 1862, encouraging widespread ownership of land, represents another striking example. Many governmental programs today are concerned with resource development.

Two types of governmental programs to promote growth are generally accepted.

The first includes programs designed to provide law and order and for an economic climate conducive to private saving and investment, to the making of contracts, to risk-taking and innovation. The advance of technology is fostered by the patent system. Productivity is enhanced by programs that stimulate technology and by those for education, training, employment services and health measures.

Another generally accepted responsibility of government in promoting growth is providing those complementary public services which individual or private effort is not readily able to supply but which are necessary for a secure and expanding economy—national defense and highways being good examples.

Today, much controversy centers around proposals that the government *set* national growth rates and then institute programs to achieve these rates.

In this controversy, the debate is not over growth. Everyone is in favor of growth. Sustained economic growth can help us solve many of our problems. The dispute is over the proper *rates* of growth, the *methods* of achieving it, and the *kind* of growth—its composition in goods and services, and its distribution among persons and groups.

Economic Stability

By stability we mean the avoidance of large fluctuations in the general level of economic activity—the extremes of mass unemployment on one hand and the ravages of inflationary movements on the other.

Stability as a feasible goal does not mean the impossible—the elimination of all economic fluctuations. But it does mean that the swings in total output, employment and the general price level should be kept within reasonably tolerable ranges.

Freedom, growth and economic efficiency come mainly from the actions of individuals within our economy. Government—national, state and local—provides the necessary framework of legal and social institutions.

Stability considerations, on the other hand, have thrust important responsibilities on the central government. Only the national government, for example, has the power and constitutional responsibility for providing a stable monetary system.

Congress, in the Employment Act of 1946, wrote into law that it is the "policy and responsibility of the Federal government" to work with private industry and labor "to promote maximum employment, production and purchasing power."

No one is sure what "maximum" employment, production and purchasing power really mean, and few people agree on

the methods to achieve them. Nevertheless, enactment of the law opened the door to new broad areas of economic activity by government.

Despite many differences of opinion, it could probably be generally agreed at least that the sheer size of government fiscal (spending-taxing) operations and their enormous impact on the private economic life make it imperative that the national government conduct its affairs so as *not* to induce economic instability, but to reduce it.

Attainable stability depends largely on the wisdom with which we manage our national monetary and fiscal affairs. These areas, therefore, will be explored more fully, both here and in Pamphlet 7 (*Meeting the Economic Challenge*).

Controlling the Supply of Money

THE "CIRCULAR FLOW" in our economy has been mentioned in prior pamphlets. Business firms buy—with money—the productive services of labor, land and capital. The money paid out by business becomes income to those who receive it. They, in turn, use the money to buy the output of business firms.

In actual practice, money does not flow in such a simple circle, but may travel through banks, savings institutions, and government. There is, however, a direct connection between actual production, money income, and money spending.

Obviously, therefore, any drastic change in the supply of money in comparison to actual production can have far-reaching effects on prices.

Suppose, for example, everyone in the United States suddenly had twice as much money as he had the day before—and there was no change in the supply of goods and services. Nearly everyone would want to buy more than he had been buying. The increased demand could not fail to raise prices—although they might not double.

Economists call the relationship between money and prices "the quantity theory of money". This theory, simply stated, is that the value or purchasing power of money goes down

when the quantity of money in circulation goes up, and vice versa—*other things being equal.*

The significance of this relationship has been demonstrated repeatedly in history. The effects of inflation in Germany after World War I and in China during World War II when governments issued paper money in large quantities to pay government expenses have been well publicized.

To pay expenses, the Continental Congress between 1775 and 1779 issued "Bills of Credit" totaling approximately $250 million. Loss of confidence in the money as well as its volume inevitably resulted in inflation. An indication of the extent of this inflation is the advice that Congress gave the colonies in 1779—fix prices at not over 2,000 percent of the prices of 1774. Eventually, the "bills" were paid off at one cent on the dollar.

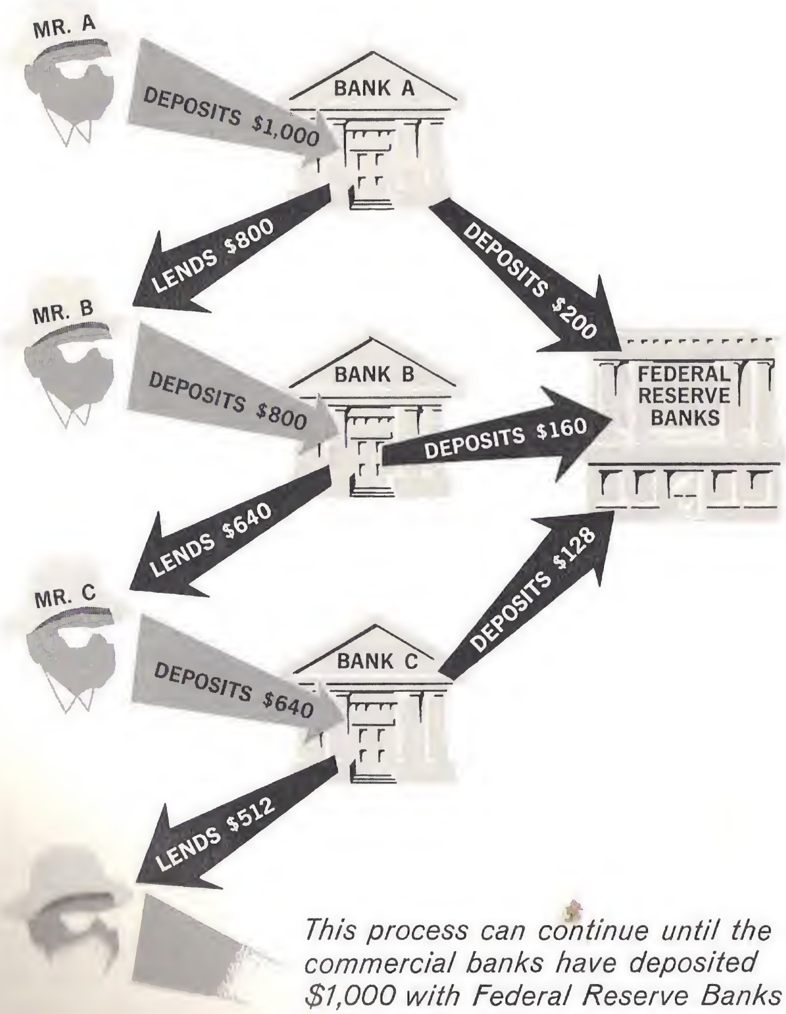
Discussion of the "quantity theory of money" brings us to three key points that will help us understand discussions of what is called "monetary policy."

1. Although all of us recognize "folding money" and coins as money, we may overlook the fact that *checking accounts—technically called "demand deposits"—in commercial banks make up the largest part of our money supply.* In December 1960, for example, the total money supply was estimated at $144 billion. Of this, $30 billion was currency and $114 billion, demand deposits.
2. *Commercial banks, therefore, can affect the supply of money by creating these deposits as they lend funds to their customers.* Without going into the credit-creating process in detail, it can be pointed out that commercial banks are required by law to maintain reserves—equal to a specified percentage of their customers' deposits. If a bank has "excess reserves" over this legally required amount, it can make additional loans or investments. If it has no "excess reserves" the volume of its total loans and investments generally cannot be increased.
3. *The Federal Reserve System can influence, in a variety of ways, the amount of the "excess reserves" held by commercial banks and can, therefore, exercise a large*

FIGURE 2

How the Banking System Creates Credit and Money

A $1,000 deposit enables the banking system to lend $5,000 when the reserve requirement is 20%.



This process can continue until the commercial banks have deposited $1,000 with Federal Reserve Banks and lent $5,000 to borrowers.

measure of control over the credit-creating activities of commercial banks.

One job of the Federal Reserve System is to insure that there is enough money and credit to provide for an expanding economy. At the same time, it must generally "lean against the prevailing economic winds". If inflation seems to be building up, the Fed, as it is called, moves to tighten credit; if business seems to be slowing down, the Fed will attempt to ease credit.

In practice, of course, the creation of money by commercial banks is affected by factors other than actions of the Federal Reserve System. The Federal Reserve System can move to ease credit. The banking system may have idle funds. But unless there are would-be borrowers who want to put money to productive use, the money does not get into circulation. Money is fed into the economy through investment and production. Thus, the way in which businessmen, consumers and investors appraise present and future business conditions plays an important part in determining the amount of money in circulation.

It is generally recognized that monetary management is of tremendous importance in efforts to achieve stability. Experience has shown that tempering booms may be as important as easing the recessions that may result from them, but may be considerably more difficult to do in a democracy. Credit restraint is never popular.

Government Spending and Taxes Affect Stability

STABILITY IS AFFECTED not only by monetary management, but by government's fiscal policies—taxing and spending. Although fiscal policy to promote stability will be discussed more fully in Pamphlet 7 *(Meeting the Economic Challenge),* taxes and spending play such an important role in the economy today, that they deserve some attention here.

When government levies taxes and spends money on the purchase of goods or services, or in transferring funds from one group to another within the country, it affects directly the way our country's resources are used and the way income is distributed among citizens.

In governmental purchase of goods and services, public spending is substituted for private spending.

When the government spends funds for national defense—say, by placing an order for a missile—the funds come from the pockets of the nation's citizens and are directed to buying some of the nation's resources.

Raw materials, labor, equipment, and management are channeled into the production of missiles—rather than into automobiles, or schools, or shoes. This shift becomes even more apparent in wartime. In World War II, the United States produced many tanks, but no private automobiles. Shoes were made in such limited quantities that they were rationed, and few school buildings—like most other types of buildings—were built.

The indirect effects upon the economy of government expenditures are usually difficult and sometimes impossible to measure.

Consider, for example, a few of the ways in which expenditures by state and local governments for education affect the economy.

The major, if immeasurable, effect comes from the influence of education on the nation's youth. Education results in both enriched personal lives and opportunities to make enlarged contributions to the future economy.

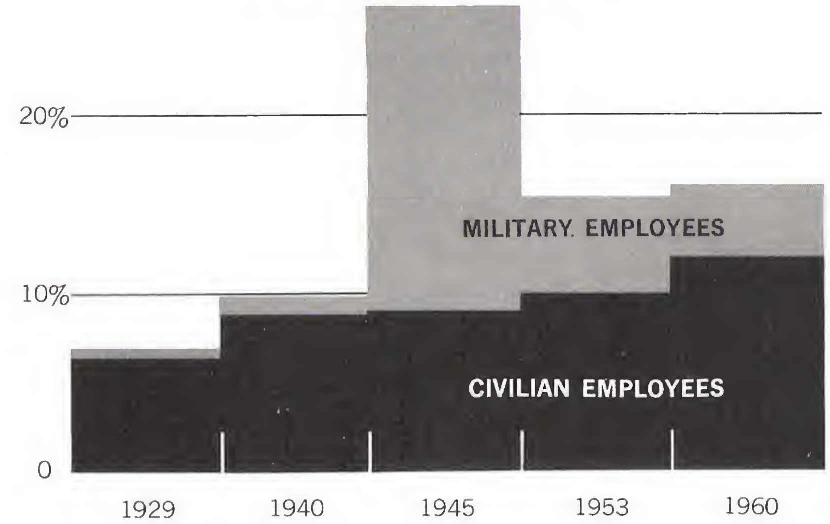
By making money available for school buildings, state and local governments create a demand for building materials. To the extent that there is full employment in the construction industry, materials, men and management will be channeled into building schools and away from building houses. Manufacturers will turn out blackboards and desks rather than dining room furniture. Because teachers are needed to staff the new schools, other resources will be channeled into the training of teachers.

The taxes necessary to expand the schools may change the buying habits of the people. If the money is borrowed, it will affect interest rates.

These few illustrations of the chain reaction that is set off by school-building programs help emphasize that statistics on

FIGURE 3

Government Employees as a Percent of all Employed Workers



The Government employed 16 out of 100 workers in 1960 compared with 7 out of 100 in 1929.

SOURCE: U. S. Department of Commerce.

the spending-taxing process are inexact measurements of the influence of government on the economy.

And yet, governmental budgets furnish a useful birds' eye view of the role of government. A government's budget is an outline of the policy decisions of the legislature. It reflects the programs that have been selected for attention by government —from the many possible programs that are proposed.

How Government Spends Our Money

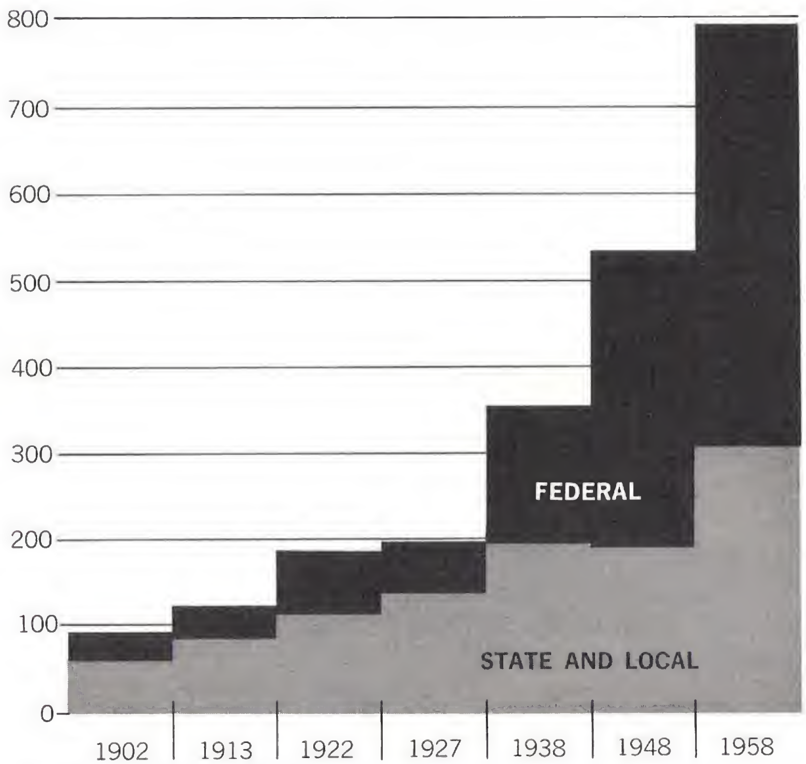
LET'S START with some over-all figures.

Government at all levels bought almost $100 billion worth of goods and services—almost one-fifth of what was produced in the United States—from private business and individuals in 1960.

FIGURE 4

Government Spending Per Person in U.S.A.

(In 1959 Dollars)



SOURCE: U. S. Department of Commerce.

Government employed 16 out of every 100 employed workers in 1960, compared with only 7 out of every 100 workers in 1929.

In addition to its purchases of goods and services, government paid out more than $27 billion in transfer payments—such things as social security and veterans' benefits—to more than 30 million people. Added to these were some 2½ million members of the armed forces and 8½ million civilian employees.

All together, roughly a quarter of our population receives direct financial payments from government.

About one-third of our national income is spent by government. In other words, government has a direct hand in about one-third of the nation's economic activity, including the production of goods and services as well as the redistribution of incomes.

To make these figures a little more personal, this means that government is spending about $830 of your money in 1961—almost twice as much as was spent in 1950. (These are average figures, obtained by dividing total spending of the federal, state and local government by the number of men, women and children in the country.)

Government Spending Per Person

(Constant Value 1961 dollars)

	1927	*1938*	*1948*	*1961*
Federal—national defense and international relations	$ 12	$ 23	$168	$261
Federal—non-defense	53	144	186	221
State and local	141	198	197	346
Total	$206	$365	$551	$828

Total spending by government grew from $1.6 billion in 1902 to 95 times as much, or $152 billion, in 1961. While government spending was increasing, however, our population grew 130 percent, and prices increased 380 percent, so there is now about nine times as much spending per capita as in 1902, if adjustments are made for price changes.

As can be seen, the biggest spender is the federal government, which spends $1.40 for every $1 spent by all state and local governments.

The large proportion spent by the federal government is due primarily to heavy expenditures for national defense and international relations, which make up about 54 percent of the federal spending, and almost one-third of all government spending. If national defense and international relations expenditures are omitted, the federal government spends 64 cents for every $1 spent by state and local governments.

The following table gives a breakdown of governmental spending, *per person*, in major areas in 1959.

(Constant Value 1959 dollars)

	1927	*1938*	*1948*	*1959*
National defense and international relations	$ 11	$ 22	$162	$273
Education	42	56	78	102
Highways	34	45	31	55
Interest on debt	25	32	48	39
Farm price and income stabilization	0	7	6	33
Public welfare	3	26	22	23
Hospitals	6	10	14	23
Veterans' services	11	12	40	21
Postal service	13	16	17	20
Natural resources	4	37	16	19
General control	10	15	13	16
Insurance trust expenditures	3	12	26	94
Other expenditures	37	63	58	76
Total	$199	$353	$531	$794

Where Government Gets Its Money

BECAUSE UNRESTRAINED ISSUE of "paper" money to pay government expenses is a sure road to disaster, governments must raise money either by taxing or by borrowing.

Taxes

MARKED DIFFERENCES in the tax structure exist at the three levels of government.

The federal government relies chiefly on income taxes. In 1959 the individual income tax supplied about half of all federal tax revenue; corporation income taxes supplied more than one-fourth.

The property tax is the principal source of revenue for local governments—yielding almost 90 percent of tax revenue.

No one type of tax is as important at the state level as income taxes are at the federal level and property taxes are at the local level. However, general sales taxes and selective taxes on motor fuel, liquor, tobacco and other particular products provided almost 60 percent of state tax revenue in 1959.

Increasingly, states are looking to the national government

for revenue. The national government furnished nearly $6.5 billion to state and local governments in 1959. Similarly, within states, grants in aid are made to localities by state governments.

Types of Taxes

BECAUSE TAXES place a heavy burden on everyone, the government must try to make them fair and equitable. But what is meant by fair and equitable? Each taxpayer has his own opinion.

Despite such differences in opinion, certain definitions of types of taxes and principles have been commonly accepted. For example, economists refer to taxes as "progressive", "proportional" and "regressive".

When tax rates "progress"—get higher, as income gets higher—they are called progressive. The best example, of course, is the income tax. A person with a taxable income of $3,000 might pay at the rate of 20 percent or $600, and a person with a taxable income of $10,000 might pay at the rate of 30 percent, or $3,000.

A proportional tax is one that is levied at the same rate, regardless of the size of the income. A good example of a proportional tax is the property tax. If the tax rate is 3 percent on assessed valuation, each owner pays the same rate. A person with a $20,000 home will pay more than the owner of a $10,000 home, but each will pay the same proportion of the value of the property.

The term "regressive" is applied to a tax which takes a larger proportion of a smaller income than of a larger income. The "turnover tax" in Russia is a good example of a regressive tax in that it bears most heavily on lower-paid workers.

Taxes are also discussed from the standpoint of "ability to pay" or "benefits received." The income tax is based on the "ability to pay" theory, while many forms of licensing and fees are based on the "benefits received" principle.

In practice, of course, it is virtually impossible to relate the cost of many goods and services furnished by government to the people who receive benefits from them. How, for example,

do you apportion the benefits received from national defense among various people?

Complicating the problem of taxation is the question of what economists call "tax incidence". Who actually bears the burden of the taxes? If a tax is placed on the manufacturer of margarine, is the tax paid by the consumer—or the producer? The answer may depend, among other things, on the price of butter. Is the corporation tax paid by the consumer in the price of goods he buys? Or does it come out of profits and the return to the shareholder?

Economists find it impossible to state what will happen in all cases. But one thing is clear: The person on whom a tax is levied is not necessarily the person who bears the real burden.

A recent study by the Tax Foundation shows that taxes took between a quarter and a third of most families' incomes in 1958—including those receiving less than $2,000 per family per year.

Although the income tax was lower for these with lower incomes, they had to pay a larger share of their income in the form of social security taxes, sales and excise taxes, and so on.

Other studies on the top five percent of families receiving more than $15,000 a year show the over-riding influence of the federal personal income tax with its sharply rising rates to 91 percent.

In other words, despite political pressures to shift the tax burden to someone else, the size of government spending today requires the tax burden to be widely distributed among all income groups.

Borrowing

An alternative to taxation for raising funds for government needs is borrowing from banks, financial institutions and the public to meet current expenses. Sales of securities by the United States Treasury and by state and local governments can provide funds for government operation.

The far-reaching repercussions of financing of this type will be discussed more fully in Pamphlet 7 *(Meeting the Economic Challenge)*. Here it need be pointed out only that the inflationary pressure resulting from government spending of borrowed funds, during periods of full employment, depend to some degree on how the borrowing is done.

If you buy a bond for $18.75, the government takes your $18.75 and uses the funds to meet its bills. Basically, this is a transfer of money from you, the lender, to others who are paid by the government.

If government securities are purchased by commercial banks, however, the situation is different.

Inflationary pressures can then arise from two sources. For one thing, more money may be created, by the expansion of bank credit and demand deposits, in the banking system. Second, the government will be bidding against private users for available good and services and helping to drive up prices.

During World War II Treasury and Reserve authorities knew that bonds sales to commercial banks were increasing the money supply and increasing inflationary pressures. Despite governmental efforts to sell as many bonds as possible to nonbank investors, wartime borrowing was so large that nonbank investors could not absorb all of the Treasury's securities.

Economic Security

We have seen that the American people are interested in strengthening economic freedom, in over-all efficiency, growth and stability. Another fundamental goal is individual security.

Attainment of the four other goals would go a long way in minimizing the need for extensive action on this fifth goal. In the final analysis, the security of everyone depends on a prosperous, efficient private economy. Yet, the fact remains that improved individual security has always been an economic goal of society.

Today governmental programs in the welfare field are the center of many political controversies—although, in fact, the controversy is not over welfare, but over the wisest method of achieving it. Tied in with the controversy are differing views on the *emphasis* that should be placed on the operation of the

impartial forces of the market as compared to the political forces of government to promote over-all security for the American people.

The word "emphasis" is significant, because even the people who would place most reliance on the market recognize that public assistance is necessary to take care of those who cannot meet market tests.

In Pamphlet 4 (*Who Gets What*), we saw how incomes are determined in the market place. People sell the services of their labor, capital and other assets. The market determines incomes impersonally. It pays people what their services are worth to their neighbors—that is, to consumers generally.

But what of those who have nothing of productive value to sell—the aged, the orphaned children, and the disabled? What of those who are victims of unemployment?

Through the years, various programs have been developed for transferring income from those able to earn to those unable, or less able, to earn. These transfers are made within the family, among relatives, and by private charities.

Increasingly, these transfers are now being made through the agency of government.

During the Great Depression of the Thirties, welfare spending—especially emergency relief spending—rose rapidly. Government moved into the welfare field with such major programs as social security, health and medical programs, farm programs, lending programs, housing programs, and so on.

When the economy mobilized for World War II in 1940, unemployment and welfare spending declined. After the War, welfare spending resumed its upward trend—soaring from less than $9 billion in fiscal 1945 to $33 billion in fiscal 1960.

The largest and fastest growing program in our welfare system is social security, which includes both "social insurance" and public assistance.

Social insurance and public assistance have similar purposes, but differ in important ways. Under social insurance, a worker's employment is important in determining his benefits and related taxes. Public assistance, in contrast, provides minimum relief for people who otherwise would be destitute.

Economic Effects of Welfare Spending and Taxing

THE PROPER ROLE of government, particularly the Federal government, in promoting welfare is highly controversial and emotion-charged—especially when it becomes entangled with differing economic and political philosophies.

Moreover, like other governmental activities, welfare programs have far-reaching effects. Some of these are clear; others are hard to define and harder still to measure.

Despite differences in emphasis, however, it is probable that most economists would agree on some effects of welfare programs:

Income Stabilization: The net impact of welfare programs is to change the distribution of rewards provided by the market. Income from one group is transferred to another group. Such programs as unemployment compensation and social security tend to keep up the incomes of certain groups, despite swings in the general level of business activity. As a result, they help "cushion" the business cycle.

Income Equalization: In general, welfare programs shift income from higher-income to lower-income groups. The growth of welfare programs plus sharply progressive income tax rates has tended to bring about income equalization.

Price Rigidities: The bulk of welfare benefits must be financed out of income from current consumption. The possibility of spreading welfare costs over many years is largely illusory. At any specific time, our welfare programs must be financed primarily by transferring purchasing power from workers to non-workers, from producers to non-producers. Taxes that pay for welfare benefits must come from someone: workers, managers, owners, investors, consumers, or some combination of them. As these costs become "built-in" features of the cost-price structure, our ability to compete in foreign markets may be lessened

Many Questions Remain

EVERYONE FAVORS increased welfare for the American people. There is little general agreement, however, on specific measures for achieving it.

FIGURE 5

Government Spending Per Person in U.S.A. (in 1959 Dollars)

SOURCE: U. S. Department of Commerce.

Some people would restrain public welfare and place more responsibilities on individuals and families. They believe that an individual may realize his full powers and potentialities only to the extent that he is willing to accept and meet the consequencies of his actions—and to provide for his own spiritual and economic welfare. The degree to which the state may relieve him of this responsibility will be the degree to which his freedom of self-expression and self-development will be stunted.

Others would move in the opposite direction—toward a more comprehensive welfare state that would reduce the scope of private economic activity and minimize individual and family responsibility. They emphasize the place of man as a member of a group in an industrialized society. Any loss of individual freedom or self-expression is more than compensated for, in their opinion, by the benefits that are received by society as a whole.

Between these views are a variety of others, including those who recognize the need for improving basic welfare programs, and, at the same time, strengthening our private economy.

In a democracy, each citizen is called upon to weigh inescapably difficult and controversial problems in the welfare field. His decisions will be affected by his answers to a variety of questions, such as these:

Is our goal income equality or greater equality of opportunity in a growing, well balanced and competitive economy?

Is there any inherent conflict between the welfare state and the competitive market system?

How important is it that individual income be related to individual production?

How much welfare can we afford? What limits, if any, should be set up for determining the amount of welfare spending?

What do we mean by "minimum subsistence"? Should welfare benefits sustain a family at a "minimum subsistence" level or at its "customary level of living"?

Should benefits be related to wages, contributions, or risks, or some combination of these factors?

What form of welfare taxation will produce adequate revenues, be fair, and harm the competitive economy the least? Should taxes be more proportional or more progressive?

Is there any danger of undermining individualism and incentives to produce?

Is there validity in the warning of Dr. Vannevar Bush, wartime Director of the Office of Scientific Research and Development: "A people bent on soft security, surrendering their birthright of individual self-reliance for favors, voting themselves into Eden from a supposedly inexhaustible public purse . . . will not measure up to competition with a tough dictatorship . . ."[8]

Evaluating Government Programs

THE PROGRAMS OF government have been discussed within the broad framework of society's economic goals—freedom, efficiency, growth, stability, and security. Agreement on goals does not mean, of course, there are not wide disagreements on the exact meanings of each goal, or the emphasis that should be placed on it.

It is easy to say, for example, that stability should mean a reasonably stable price level and sustained high-level employment. But some groups hold that growth and high employment at all times justify a "little" inflation. Others hold that a stable price level should be sought. They contend the hardships caused by inflation may outweigh the hardships caused by minimum unemployment.

Many conflicts both between goals and the programs that have been designed to achieve them could be cited.

Freedom and over-all economic efficiency go hand-in-hand. Resources move into productive channels directed by consumers. Free competition induces producers to reduce their costs and makes for a more efficient economy. The multitude of changes that produce growth are set in motion and carried out by the initiative and the enterprise of free individuals. But change may be disturbing. One of the prices of freedom is some degree of economic insecurity and instability.

As long as our legal institutions are imperfect and our economy less competitive than it could be, freedom has to be paid for in some misallocation of resources, in contractions, and in some failures to develop human potential as fully as possible.

Efficiency in a free economy means that incomes, in general, tend to be proportional to persons' contributions to production. Some persons might receive no incomes and others, very low ones. This has led to programs to provide some income security and to try to prevent the lowest incomes from falling below subsistence level.

Measures designed to prevent or reduce poverty and to raise the productivity of persons with low incomes may contribute to growth and stability. But, to the extent that such measures reduce savings or impair incentives to production and innovation, they may retard growth.

Government programs designed to protect or insulate particular groups or industries from the market forces, or to relieve them from making necessary economic adjustments may affect freedom, over-all efficiency and growth.

Americans are not of one mind; we make full use of our right to differ on economic policy. Differences result from varying political philosophies, from diverse views of human nature and from variations in the self-interests of thousands of organized groups of all kinds.

But, even if we were all of one mind, we would still have to work out compromises among the five goals of economic policy.

We have to balance the desirability of faster growth against more stability. We have to balance gain in stability against a sacrifice in freedom, an improvement in security against a loss of incentive and economic efficiency.

But the five goals of economic policy provide broad outlines for your personal evaluation of governmental programs:

- Does the program extend or does it restrict the scope of economic freedom for the individual?
- Is the program compatible with the efficient functioning of the economy?
- How does the program affect the nation's economic growth?
- Does the program help or hinder efforts to achieve economic stability?

–Does the program enlarge economic opportunity and reduce destitution?

Government and Individual Freedom

Questions of policy regarding activities of government, of course, go beyond economic considerations. Also involved are the growth of political and economic power in a centralized government, the urgency of the need for a certain service, and the relationship of governmental control to the over-all aims of our democratic system. It may be that these are the more important questions.

The relationship of the State to the individual is one of the oldest problems in history. What we call the Revolutionary War was more than a revolution against England; it marked a revolution in the concept of government. For centuries, kings had been ruling by "divine right". The Declaration of Independence placed the individual with his "life, liberty and pursuit of happiness" at the center of things. Government became the servant of the people, not the master.

In the United States, the Constitution with its division of powers among an Executive, a Legislative, with two branches of Congress, and a Judiciary was designed to limit the power of any single organ of government. Some powers were given to the central government; others retained in the states.

The Bill of Rights–the first 10 Amendments to the Constitution–was designed to protect the individual against encroachments of government.

As a representative democracy, we face two key problems today:

The first is the problem of choosing between spending too much on public service and not spending enough.

The second is the problem of choosing between maintaining order and excessive control.

Dr. Henry Wriston, President Emeritus of Brown University, has said:

> Each person has both particular and general interests, individual wants and social needs.
>
> When the social interest is over-accented, freedom declines and may disappear . . . On the other hand, if individual interest utterly neglects social needs, anarchy is the end result. The consequences of either extreme is loss of freedom . . .
>
> When the Declaration and the Constitution were being framed, Europe had rulers known as "enlightened" or "benevolent" despots. A good example was Prince Karl Frederick von Baden. He had many virtues; he developed agriculture and commerce; he sought to improve education; he reformed the administration of justice. Clearly he was enlightened. He was also benevolent; he held it to be the duty of his government "to teach his subjects even against their will how to order their domestic affairs", and to "make them whether they liked it or not, into free, opulent and law-abiding citizens."
>
> At that time the dominant economic theory was mercantilism. Characteristic of that system were economic planning and social engineering in extreme forms. The government was to tell citizens what to do: ". . . It is to teach them, even against their wills, how they are to institute their households."
>
> The all-powerful, paternalistic state was familiar to the founders of this nation. With determined purpose, they turned away from that ideal to establish a new order . . .
>
> The Communists regard the American dogma with mingled fear and scorn. Its root ideas are antithetical to their "dialectical materialism" which makes man not the reflection of his Maker, but of his material interests. They realize that sooner or later one set of principles–theirs or ours–must become dominant.
>
> For this reason they say, "We will bury you", partly as prophecy, partly as a threat. Our best answer is complete fidelity to our ideal, confident that its truth will prevail–not soon, nor easily, but ultimately.[7]

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CHAMBER OF COMMERCE · OF THE UNITED STATES ·

PROGRESS THROUGH VOLUNTARY ACTION AND FREEDOM

380-065